

**HUMPHREYS COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT**  
(A Component unit of Humphreys County, Tennessee)

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2011**

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**HUMPHREYS COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
AUDITED FINANCIAL STATEMENTS  
JUNE 30, 2011**

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## **INTRODUCTORY SECTION**

# **HUMPHREYS COUNTY EMERGENCY COMMUNICATIONS DISTRICT**

## **ROSTER OF OFFICIALS**

**JUNE 30, 2011**

<b><u>Officials</u></b>	<b><u>Position</u></b>
Jess S. Bowen, III	Chairman
Carolyn Ingram	Vice-Chairman
W.B. Frazier	Secretary -Treasurer
Sheriff Chris Davis	Board Member
Reed Dreaden	Board Member
Patricia McNeil	Board Member
Tim Daniel	Board Member
Ronnie Moran	Board Member
John Lee Williams	Board Member
Bobby Brown	Director

## Management's Discussion and Analysis

This section of the Humphreys County Emergency Communications District's (District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2011. This section should be read in conjunction with the financial statements and accompanying notes, which follow this section.

The District is a proprietary component unit of the government of Humphreys County, Tennessee. The District was created in May 1988. The District provides the public a means of securing emergency services by telephone. In November 2001, the emergency service dispatch functions were consolidated under the central control of the District for the governments of Humphreys County, City of Waverly, City of New Johnsonville, and City of McEwen.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's financial statements. The financial report includes three financial statements: the Balance Sheet; the Statement of Revenues, Expenses and Changes in Net Assets; and the Statement of Cash Flows. The financial statements are prepared on the accrual basis of accounting. The Balance Sheet includes all the assets and liabilities of the District at the end of the fiscal year. The difference in the assets and liabilities is the net assets or equity of the District. The Statement of Revenues, Expenses and Changes in Net Assets reports all of the revenues and expenses of the District for the fiscal year. The Statement of Cash Flows reports the cash provided and used by operating activities as well as other cash sources and cash payments, such as investment income and capital outlays, for the fiscal year. The Notes to the Financial Statements include an explanation of the major accounting policies of the District and also in certain instances provide further or explanatory information about information contained in the three financial statements.

### Financial Highlights

	Statement of Net Assets	
	<u>2011</u>	<u>2010</u>
Current Assets	\$ 659,844	\$ 610,947
Capital Assets and Deferred Charges	<u>424,589</u>	<u>512,086</u>
TOTAL ASSETS	<u>\$1,084,433</u>	<u>\$1,123,033</u>
Current Liabilities (Equals Total Liabilities)	\$ 5,535	\$ 5,714
Net Assets Invested in Capital Assets	423,031	510,427
Unrestricted Net Assets	<u>655,867</u>	<u>606,892</u>
Total Net Assets	<u>1,078,898</u>	<u>1,117,319</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$1,084,433</u>	<u>\$1,123,033</u>

### Changes in Net Assets

	<u>2011</u>	<u>2010</u>
Operating Revenues	\$361,723	\$340,867
Operating Expenses	<u>664,810</u>	<u>611,984</u>
Net Operating Income	(303,087)	(271,117)
Other Income	264,666	425,565
Other Expenses	<u>0</u>	<u>0</u>
Changes in Net Assets	<u><u>\$(38,421)</u></u>	<u><u>\$154,448</u></u>

#### **Operating Revenues**

Operating revenues increased from the prior year mainly due to an increase in operational funding from the Tennessee Emergency Communications Board.

#### **Other Income**

Most of the incomes categorized under the other income category are amounts received from the primary government and other local governments that participate in an inter-local cooperation agreement (cost sharing) in order to provide for the operation of central dispatching. There was no change in the funding from these governments for the two years shown above (\$235,519 – 2010 and \$235,519 – 2011).

The District received \$22,000 in 2010 and \$22,000 in 2011 in grants from the Tennessee Emergency Communications Board for cost recovery related to maintaining a Global Information System (GIS) mapping system and dispatcher training. The District received \$160,590-2010 and \$0.00-2011 in reimbursements from the Tennessee Emergency Communications Board for purchases of laptop computers, intensive use chairs, CAD software and payments on new and updated PSAP and dispatching equipment.

#### **Operating Expenses**

Operating expenses were up \$52,826 when compared to last year. The main cause for the increase, in relation to the prior year, was increases in salaries & wages, maintenance -agreements, general maintenance (due to storms during the year), and depreciation capital purchases in recent years.

### **Capital Expenditures**

Some of the significant capital expenditures made during the fiscal year 2010 and 2011 were:

For the year ended June 30, 2010:

Completion of PSAP Equipment	\$109,469
2 Computers, Laptop Computer & Phone	3,217

For the year ended June 30, 2011:

Computers and Smartphone	\$ 2,607
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### **Contacting the Agency's Financial Management**

The financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. If you have any questions about this report or need additional financial information, contact the District's office at P.O. Box 553; Waverly, TN 37185.



## **FINANCIAL SECTION**

**DURHAM NUNNERY BROOKS & POYNER PC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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70 EAST MAIN STREET  
CAMDEN, TN 38320  
PHONE 731-584-4448 \* FAX 731-584-4417

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Humphreys County Emergency Communications District  
Waverly, Tennessee

We have audited the accompanying basic financial statements of the Humphreys County Emergency Communications District (District) (a component unit of Humphreys County, Tennessee) as of and for the year ended June 30, 2011 as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2011, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 16, 2011, on our consideration of the District's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 2 through 4, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries made of management regarding the methods of measurement and presentation of supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying information listed as the introductory section and supplementary information in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the District. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Durham, Nunnery, Brooks & Poyner, P.C.*

Durham, Nunnery, Brooks & Poyner, P.C.  
Certified Public Accountants  
December 16, 2011

**HUMPHREYS COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2011**

**ASSETS**

**Current Assets**

Cash and Cash Equivalents	\$ 33,343.47
Investments	580,456.84
Accounts Receivable	13,270.50
Due from Tennessee Emergency Communications Board	7,775.80
Prepaid Expense	24,997.85
<b>Total Current Assets</b>	<b>659,844.46</b>

**Deferred Charges**

Loan Cost Associated with Lease - Net	1,558.33
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**Property and Equipment**

Furniture and Fixtures	51,103.35
Office Equipment	3,008.32
Other Equipment	14,410.34
Vehicles	24,995.00
Communication Equipment	880,423.69
<b>Total</b>	<b>973,940.70</b>
Less: Accumulated Depreciation	(550,910.19)
<b>Net Property and Equipment</b>	<b>423,030.51</b>

<b>TOTAL ASSETS</b>	<b>\$ 1,084,433.30</b>
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**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accounts Payable	\$ 398.12
Payroll Taxes Payable	116.21
Payroll Withholding	0.00
Compensated Absences Payable	5,021.31
<b>Total Current Liabilities</b>	<b>5,535.64</b>

**Net Assets**

Invested in Capital Assets	423,030.51
Unrestricted	655,867.15
<b>Total Net Assets</b>	<b>1,078,897.66</b>

<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,084,433.30</b>
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The accompanying notes are an integral part of these financial statements.

**HUMPHREYS COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2011**

**Operating Revenues**

Emergency Telephone Service Charge	\$ 167,759.22
Tennessee Emergency Communications Board-Shared Wireless Charge	46,871.15
Tennessee Emergency Communications Board-Operational Funding	142,790.76
Other Operating Revenues	4,302.46

<b>Total Operating Revenues</b>	<b>361,723.59</b>
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**Operating Expenses**

Salaries and Wages

Director	44,330.52
Calltakers/Dispatchers	266,093.60
Holiday Pay	9,759.22
Total Salaries and Wages	320,183.34

Employee Benefits

Social Security	18,146.82
Medicare	4,243.82
Life Insurance	878.84
Medical Insurance	47,905.77
Dental Insurance	1,110.58
Vision Insurance	513.31
Unemployment Compensation	459.98
Retirement Contributions	13,043.09
Total Employee Benefits	86,302.21

Contracted Services

Fees Paid to Service Providers	24,820.68
Administrative Fees - Service Charge	4,906.20
Addressing/Mapping Services	586.25
Advertising	0.00
Accounting and Auditing	5,154.50
Data Processing Services	380.55
Legal Services	0.00
Maintenance Agreements	31,651.29
Maintenance and Repairs	19,159.36
NCIB/TBI/TIES Expenses	4,240.00
Lease/Rental - Facilities	38,400.00
Total Contracted Services	129,298.83

**The accompanying notes are an integral part of these financial statements.**

**HUMPHREYS COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS (Continued)  
FOR THE YEAR ENDED JUNE 30, 2011**

<u>Supplies and Materials</u>	
Office Supplies	\$ 2,305.86
Data Processing Supplies	500.00
Postage	282.30
Small Equipment Purchases	2,342.73
Uniforms and Shirts	2,224.49
Utilities	8,603.97
Fuel	1,791.12
Total Supplies and Materials	<u>18,050.47</u>
<u>Other Charges</u>	
Bank Service Charges	33.00
Board Meetings	485.54
Dues and Memberships	152.00
Employee Testing and Exams	155.00
Insurance	10,663.55
Legal Notices	55.00
Licenses and Fees	0.00
Premiums on Surety Bonds	950.00
Public Education	1,017.60
Service Awards	412.39
Training	2,109.85
Travel	4,837.09
Total Other Charges	<u>20,871.02</u>
<u>Depreciation</u>	
Depreciation Expense	90,004.15
Amortization Expense	100.00
<b>Total Operating Expenses</b>	<u>664,810.02</u>
<b>Operating Income (Loss)</b>	(303,086.43)
<b>Nonoperating Revenues (Expenses) &amp; Capital Contributions</b>	
Interest Earned	1,146.10
Contributions from Primary Government	100,937.00
Contributions from Other Governments	134,582.44
Revenue from Contracted Services	6,000.00
Tennessee Emergency Communications Board-Grants/Reimbursements	22,000.00
Tennessee Emergency Communications Board-Capital Contributions	<u>0.00</u>
<b>Change in Net Assets</b>	(38,420.89)
<b>Net Assets, Beginning</b>	<u>1,117,318.55</u>
<b>Net Assets, Ending</b>	<u><u>\$ 1,078,897.66</u></u>

The accompanying notes are an integral part of these financial statements.

**HUMPHREYS COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2011**

**Cash Flows from Operating Activities:**

Cash Receipts from Surcharges and Other Revenues	\$ 368,589.86
Cash Payments to Suppliers for Goods and Services	(181,797.42)
Cash Payments for Payroll, Taxes and Related Benefits	(406,860.71)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(220,068.27)</b>

**Cash Flows from Non-Capital Financing Activities:**

Grants/Reimbursements TECB	22,000.00
Contributions from Primary Government	100,937.00
Contributions from Other Governments	134,582.44
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b>257,519.44</b>

**Cash Flows from Capital & Related Financing Activities:**

Capital Contributions by TECB	0.00
Purchase of Equipment	(2,607.21)
<b>Net Cash Provided (Used) by Capital &amp; Related Financing Activities</b>	<b>(2,607.21)</b>

**Cash Flows from Investing Activities:**

Purchase of Investments	(51,138.22)
Proceeds From Redemption of Investments	0.00
Interest Collected	1,146.10
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>(49,992.12)</b>

**Net Increase (Decrease) in Cash & Cash Equivalents** (15,148.16)

**Cash & Cash Equivalents, Beginning** 48,491.63

**Cash & Cash Equivalents, Ending** \$ 33,343.47

**RECONCILIATION OF OPERATING INCOME TO NET CASH  
PROVIDED (USED) BY OPERATING ACTIVITIES**

Operating Income	\$ (303,086.43)
Adjustments to Reconcile Operating Income to Net Cash	
Provided (Used) for Operating Activities:	
Depreciation	90,004.15
Amortization	100.00
Revenues from Contracted Services	6,000.00
Changes in Assets and Liabilities:	
Accounts Receivable	942.40
Due from State Emergency Communications Board	(76.13)
Prepaid Expense	(13,773.45)
Accounts Payable	196.35
Payroll Taxes Payable	(49.86)
Payroll Withholding Payable	0.00
Compensated Absences Payable	(325.30)
Total Adjustments	<u>83,018.16</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b><u><u>\$ (220,068.27)</u></u></b>

The accompanying notes are an integral part of these financial statements.

**HUMPHREYS COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Financial Reporting Entity**

The Humphreys County Emergency Communications District (District or Humphreys County E911) was created under *Tennessee Code Annotated 7-86-104 et. seq., Emergency Communications Districted Law* by a referendum of voters in Humphreys County, Tennessee (County) in May 1988. The assessment of service fees began September 1, 1989.

The purpose of the District is to provide a simplified means of securing emergency services by telephone to those persons living in the County. In November 2001, emergency service dispatch functions were consolidated under a centralized communications center (the District) for the governments of Humphreys County, City of Waverly, City of New Johnsonville, and City of McEwen.

The District is considered a component unit of the County because the Board of Directors is appointed by the County Commission. The County Commission has the authority to adjust rates charged by the District, and the County Commission must approve most debts issued by the District.

**Measurement Focus/Basis of Accounting**

The accounting policies of the District conform to generally accepted accounting principles applicable to government as defined in the *Statements of Governmental Accounting Standards Board (GASB)*. The District also elected to apply generally accepted accounting principles as defined by *Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins* issued on or before November 30, 1989. After that date the District is required by the Office of the Comptroller of the Treasury to apply only GASB pronouncements.

The financial statements are prepared on the basis of GASB Statement Number 34, Basic Financial Statements, Management's Discussion and Analysis for State and Local Governments and related standards. This statement provides for various terminology and includes recognition of capital grants in the Statement of Revenues, Expenses and Changes in Net Assets; a presentation of net assets; as well as an inclusion of a management discussion and analysis; supplementary information; and other changes.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The District is considered an enterprise fund, which uses the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.



**HUMPHREYS COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The accounting and reporting treatment applied to a fund is determined by its measurement focus. Enterprise funds are accounted for using an economic resources measurement focus. This means that all assets and liabilities (whether current or non-current) associated with this activity are included on the balance sheet. Their reported net assets is segregated into amounts invested in capital assets, restricted net assets, and unrestricted net assets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

**Cash and Investments**

Cash and cash equivalents include amounts of cash on hand, demand deposits and time deposits with original maturities of three months or less.

State statutes (TCA, 5-8-301) determine what investments are allowable for the District. For the most part, allowable investments consist of bonds, notes or treasury bills of the United States or other obligations guaranteed as to principal and interest by the United States or any of its agencies, repurchase agreements, the Tennessee Local Government Investment Pool and certificates of deposits.

**Due from Tennessee Emergency Communications Board (TECB)**

The amount due from the Tennessee Emergency Communications Board includes the amount of wireless surcharges collected by the State prior to June 30, 2011, but not remitted to the District until after June 30, 2011.

**Due from Primary and Other Governments**

In November 2001, the District entered into an inter-local cooperation agreement between the governments of Humphreys County, City of Waverly, City of New Johnsonville, and City of McEwen. The inter-local cooperation agreement essentially consolidated the dispatching of emergency services process for all the governments to a central location and in turn the governments contribute funds to the District to cover personnel costs. There were no amounts owed the District by the primary government or other local governments at June 30, 2011.

**Accounts Receivable**

Accounts receivable represents amounts due from AT&T, TDS Telecom, and other service providers that operate in the area and collect the user fees assessed by the District.

**HUMPHREYS COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Accounts Payable**

Payables are accrued for goods, services and equipment that have been received by June 30, but for which payment was not made by the balance sheet date.

**Property and Equipment**

Property and equipment is recorded at historical cost. Maintenance repairs and minor renewals are expensed as incurred. Depreciation has been provided over the estimated useful lives of the fixed assets by the straight-line method. The estimated useful lives are as follows:

Equipment, furniture & fixtures	5 to 10 years
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**NOTE 2 – DEPOSITS, INVESTMENTS AND CUSTODIAL CREDIT RISK**

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned or the District will not be able to recover collateral securities in the possession of an outside party. State statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits. Further, state statutes require that the collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the District.

At June 30, 2011, the carrying value (bank balance) of deposits of the District was \$75,533. Therefore, all deposits would be considered insured.

Investments consisted of an account with the Tennessee Local Government Investment Pool, with interest being earned at a variable rate. The market value of the account is equivalent to the carrying value, which at June 30, 2011, was \$580,457.

**NOTE 3 - FUNDING SOURCES**

Funds for operations are provided by monthly fees from service users in the County. Two major service suppliers in the County, AT&T and Humphreys County Telephone, collect the service fees and remit the funds to the District. The telephone companies retain one to three percent of the collections as an administrative fee. The District also receives a portion of the wireless phone surcharge administered by the State of Tennessee, Department of Commerce and Insurance, Tennessee Emergency Communications Board.

**HUMPHREYS COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE 4 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to tort, theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. It is the policy of the District to purchase commercial insurance for these risks. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

**NOTE 5 - BUDGETARY INFORMATION**

The District is required by Section 7-86-120, TCA, to adopt an annual budget. The budget must be prepared at the line-item level. The District's budgetary basis of accounting is consistent with generally accepted accounting principles (GAAP). Therefore, capital outlay items, although authorized, are not presented in the Budgetary Comparison Schedule, which compares budgetary revenues and expenses to actual. The Budgetary Comparison Schedule is presented in the supplementary information section of this report.

**NOTE 6 - PROPERTY AND EQUIPMENT**

Changes in property and equipment for the period ended June 30, 2011 were:

<u>Category</u>	<u>Balance 7/1/10</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/11</u>
Furniture and Fixtures	\$ 51,103.35	\$ 0.00	\$ 0.00	\$ 51,103.35
Office Equipment	2,329.29	679.03	0.00	3,008.32
Other Equipment	14,410.34	0.00	0.00	14,410.34
Vehicles	24,995.00	0.00	0.00	24,995.00
Communication Equipment	<u>878,495.51</u>	<u>1,928.18</u>	<u>0.00</u>	<u>880,423.69</u>
Total	<u>\$ 971,333.49</u>	<u>\$ 2,607.21</u>	<u>\$ 0.00</u>	<u>\$ 973,940.70</u>

**Summary of Accumulated Depreciation**

<u>Category</u>	<u>Balance 7/1/10</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/11</u>
Furniture and fixtures	\$ 39,375.94	\$ 5,334.44	\$ 0.00	\$ 44,710.38
Office equipment	1,821.77	559.76	0.00	2,381.53
Other equipment	14,410.34	0.00	0.00	14,410.34
Vehicles	24,995.00	0.00	0.00	24,995.00
Communication equipment	<u>380,302.99</u>	<u>84,109.95</u>	<u>0.00</u>	<u>464,412.94</u>
Total	<u>\$460,906.04</u>	<u>\$ 90,004.15</u>	<u>\$ 0.00</u>	<u>\$550,910.19</u>

**HUMPHREYS COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE 7 - COMMITMENTS**

In 2001, the District entered into a 20-year lease with the City of Waverly for premises in order to operate the central dispatching functions of the District. The lease term is for 240 monthly payments of \$3,200.00 each beginning July 1, 2002.

**NOTE 8 – TOWER PURCHASES BY COUNTY AND FUTURE COMMITMENT**

During the year ended June 30, 2009, Humphreys County, Tennessee purchased two 300' Type WSST self supported towers for a price of \$154,589 each. One of the towers is located on a County owned site while the other tower is located on a City of Waverly site. It is the intent of all parties involved that the District will maintain and manage the towers upon completion as long as the District is providing central dispatching functions. The towers are financially being accounted by Humphreys County, Tennessee and no amounts are reflected within these financial statements.

**NOTE 9 – SUPPLEMENTAL CASH FLOW INFORMATION**

There were no amounts of interest expense capitalized during the current year.

**NOTE 10 – SUBSEQUENT EVENTS**

There were no subsequent events that occurred after the fiscal year end and through the date of the auditor's report that would require adjustment or disclosure to the financial statements.

**NOTE 11 – TCRS PENSION PLAN**

Employees of HUMPHREYS COUNTY 911 are members of the Political Subdivision Pension Plan (PSP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as HUMPHREYS COUNTY 911 participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

**HUMPHREYS COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs/PS/>.

***Funding Policy***

HUMPHREYS COUNTY 911 requires employees to contribute 5.0 percent of earnable compensation.

HUMPHREYS COUNTY 911 is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2011 was 4.36% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for HUMPHREYS COUNTY 911 is established and may be amended by the TCRS Board of Trustees.

***Annual Pension Cost***

For the year ending June 30, 2011, HUMPHREYS COUNTY 911's annual pension cost of \$13,043 to TCRS was equal to HUMPHREYS COUNTY 911's required and actual contributions. The required contribution was determined as part of the July 1, 2009 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected 3.0 percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. HUMPHREYS COUNTY 911's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009 was 15 years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

**Trend Information**

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2011	\$ 13,043	100.00%	\$ 0.00
June 30, 2010	\$ 14,459	100.00%	\$ 0.00
June 30, 2009	\$ 13,987	100.00%	\$ 0.00

**HUMPHREYS COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**Funded Status and Funding Progress**

As of July 1, 2009, the most recent actuarial valuation date, the plan was 76.74% percent funded. The actuarial accrued liability for benefits was \$0.1 million, and the actuarial value of assets was \$0.1 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.0 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.2 million, and the ratio of the UAAL to the covered payroll was 13.79%percent.

The schedules of funding progress, as presented below, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

**Schedule of Funding Progress :**

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b) – (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 01, 2009	\$107	\$139	\$32	76.74%	\$234	13.79%
July 01, 2007	\$ 67	\$112	\$45	59.82%	\$230	19.57%

## **SUPPLEMENTARY INFORMATION**

**HUMPHREYS COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Operating Revenues</b>				
Emergency Telephone Service Charge	\$ 195,000.00	\$ 195,000.00	\$ 167,759.22	\$ (27,240.78)
TECB - Shared Wireless Charge	45,000.00	45,000.00	46,871.15	1,871.15
TECB - Operational Funding	154,791.00	154,791.00	142,790.76	(12,000.24)
Other Operating Revenues	2,000.00	2,000.00	4,302.46	2,302.46
<b>Total Operating Revenues</b>	<b>396,791.00</b>	<b>396,791.00</b>	<b>361,723.59</b>	<b>(35,067.41)</b>
<b>Operating Expenses</b>				
Director	44,776.93	44,776.93	44,330.52	446.41
Calltakers/Dispatchers, Holiday & Overtime	276,973.28	276,973.28	275,852.82	1,120.46
Social Security	20,000.00	20,000.00	18,146.82	1,853.18
Medicare	4,800.00	4,800.00	4,243.82	556.18
Life Insurance	1,600.00	1,600.00	878.84	721.16
Medical Insurance	50,000.00	50,000.00	47,905.77	2,094.23
Dental Insurance	1,500.00	1,500.00	1,110.58	389.42
Vision Insurance	500.00	600.00	513.31	86.69
Unemployment Compensation	3,000.00	3,000.00	459.98	2,540.02
Retirement Contributions	14,000.00	14,000.00	13,043.09	956.91
Fees Paid to Service Providers	28,000.00	28,000.00	24,820.68	3,179.32
Administrative Fees - Service Charge	2,000.00	500.00	4,906.20	(4,406.20)
Addressing/Mapping Services	1,700.00	700.00	586.25	113.75
Advertising	500.00	0.00	0.00	0.00
Accounting and Auditing	5,300.00	5,935.00	5,154.50	780.50
Data Processing Services	1,000.00	500.00	380.55	119.45
Legal Services	1,000.00	0.00	0.00	0.00
Maintenance Agreements	70,000.00	45,845.00	31,651.29	14,193.71
Maintenance and Repairs	12,000.00	34,000.00	19,159.36	14,840.64
NCIB/TBI/TIES Expenses	4,000.00	5,000.00	4,240.00	760.00
Lease/Rental - Facilities	38,400.00	38,400.00	38,400.00	0.00
Office Supplies	3,000.00	3,000.00	2,305.86	694.14
Data Processing Supplies	1,000.00	800.00	500.00	300.00
Postage	600.00	600.00	282.30	317.70
Small Equipment Purchases	6,000.00	6,000.00	2,342.73	3,657.27
Uniforms and Shirts	3,000.00	3,000.00	2,224.49	775.51
Utilities	9,500.00	10,000.00	8,603.97	1,396.03
Fuel	2,000.00	2,000.00	1,791.12	208.88
Bank Service Charges	300.00	300.00	33.00	267.00
Board Meetings	500.00	500.00	485.54	14.46
Dues and Memberships	400.00	200.00	152.00	48.00
Employee Testing and Exams	400.00	400.00	155.00	245.00
Insurance	11,800.00	11,500.00	10,663.55	836.45
Legal Notices	200.00	100.00	55.00	45.00
Licenses and Fees	100.00	0.00	0.00	0.00
Premiums on Surety Bonds	1,200.00	0.00	950.00	(950.00)
Public Education	1,000.00	1,020.00	1,017.60	2.40
Service Awards	1,000.00	500.00	412.39	87.61
Training	9,000.00	3,000.00	2,109.85	890.15
Travel	9,000.00	5,000.00	4,837.09	162.91
Depreciation Expense	60,000.00	77,000.00	90,004.15	(13,004.15)
Amortization Expense	100.00	100.00	100.00	0.00
<b>Total Operating Expenses</b>	<b>701,150.21</b>	<b>701,150.21</b>	<b>664,810.02</b>	<b>36,340.19</b>
<b>Operating Income</b>	<b>(304,359.21)</b>	<b>(304,359.21)</b>	<b>(303,086.43)</b>	<b>1,272.78</b>
<b>Nonoperating Revenues(Expenses)</b>				
Interest Earned	5,000.00	5,000.00	1,146.10	(3,853.90)
Contributions from Primary Government	100,936.13	100,936.13	100,937.00	0.87
Contributions from Other Governments	134,581.51	134,581.51	134,582.44	0.93
Revenue from Contracted Services	6,000.00	6,000.00	6,000.00	0.00
TECB-Grants/Reimbursements	10,000.00	10,000.00	22,000.00	12,000.00
<b>Net Income</b>	<b>\$ (47,841.57)</b>	<b>\$ (47,841.57)</b>	<b>\$ (38,420.89)</b>	<b>\$ 9,420.68</b>



**HUMPHREYS COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED JUNE 30, 2011**

<u>Grantor Agency</u>	<u>Contract / Grant Number</u>	<u>Amount Due From Beginning</u>	<u>Cash Received</u>	<u>Earned / Expended</u>	<u>Amount Due From Ending</u>
<u>State of Tennessee</u>					
<u>Commerce and Insurance</u>					
Tennessee Emergency Comm. Board (GIS Mapping)	Unavailable	\$0.00	\$10,000.00	\$10,000.00	\$0.00
Tennessee Emergency Comm. Board (Dispatcher Training)	Unavailable	0.00	12,000.00	12,000.00	0.00
Tennessee Emergency Comm. Board (Operational Funding)	Unavailable	0.00	142,790.76	142,790.76	0.00
		<u>\$0.00</u>	<u>\$164,790.76</u>	<u>\$164,790.76</u>	<u>\$0.00</u>

**NOTES TO SCHEDULE OF STATE FINANCIAL ASSISTANCE**

**NOTE 1: SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of state financial assistance is a summary of the activities of the District's state assistance programs and does not necessarily present transactions that would be included in the financial statements of a district presented on the accrual basis of accounting, as contemplated by accounting principles generally accepted in the United States of America.

**HUMPHREYS COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF OFFICIAL BONDS OF PRINCIPAL OFFICIALS  
JUNE 30, 2011**

<u>Officials</u>	<u>Position</u>	<u>Bond</u>
Jess S. Bowen, III	Chairman	\$70,000
Carolyn Ingram	Vice-Chairman	70,000
W.B. Frazier	Secretary -Treasurer	70,000
Bobby Brown	Director	70,000
Sherriff Chris Davis	Board Member	0
Reed Dreaden	Board Member	0
Patricia McNeil	Board Member	0
Tim Daniel	Board Member	0
Ronnie Moran	Board Member	0
John Lee Williams	Board Member	0

## **INTERNAL CONTROL AND COMPLIANCE SECTION**

**DURHAM NUNNERY BROOKS & POYNER PC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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70 EAST MAIN STREET  
CAMDEN, TN 38320  
PHONE 731-584-4448 \* FAX 731-584-4417

**REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors  
Humphreys County Emergency Communications District  
Waverly, Tennessee

We have audited the financial statements of Humphreys County Emergency Communications District (District)(a component unit of Humphreys County, Tennessee ) as of and for the year ended June 30, 2011, and have issued our report thereon dated December 16, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management in a separate letter dated December 16, 2011.

This report is intended solely for the information and use of the board of directors, management, others within the organization and state awarding agencies and is not intended to be used and should not be used by anyone other than these specified parties.

*Durham, Nunnery, Brooks & Poyner, P.C.*

Durham, Nunnery, Brooks & Poyner, P.C.  
Certified Public Accountants  
December 16, 2011

**HUMPHREYS COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
JUNE 30, 2011**

**A. PRIOR YEAR FINDINGS**

Government Auditing Standards require auditors to report on the status of uncorrected findings from prior audits. Presented below is the summarized data related to the prior year's audit findings:

There were no findings reported in the prior year.

**B. CURRENT YEAR FINDINGS**

There were no findings reported in the current year.

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